



April 11, 2011

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, SW
Suite 1220
Washington, DC 20423-0001

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Re: Docket No. EP 705 Competition in the Railroad Industry

Dear Chairman Elliott:

My name is Dennis Williams, and I am General Traffic Manager for Rosboro, LLC, a manufacturer and worldwide distributor of lumber, plywood, and glue-laminated beams (all exempt commodities), located in Springfield, Oregon. In my position, I negotiate rates and service, ensure equipment supply, and arrange all outbound transportation of our finished products via all modes from our plant sites to our customers. My career in transportation management spans 42 years, and I remain fervently interested and active in that discipline with the transportation industry. My letter supports a strong freight railroad system as a component of the most cost effective freight transportation system in the world. I deal with freight railroads every day as a captive shipper, and I am satisfied that present regulations are sufficient to protect the interests of both railroads and their customers. I do not believe that new regulations are needed at this time.

My career began during the period when freight railroads were heavily regulated in an intricate system designed to insulate railroads and their customers from the effects of competition, a system that became so contrary to market needs that it hobbled transportation of goods and nearly destroyed the nation's railroads. As a member of the National Industrial Traffic League, I was among many who participated in formulation of the Staggers Rail Act, and I remember shippers expressing their fear that railroads would use their new found economic freedom to raise rates to ruinous levels. At the same time, railroads were expressing their fear that shippers would use their new found economic freedom to reduce rates to ruinous levels. Our mutual distrust, our mutual respect, and our mutual vision led to a set of regulations and exemptions that, by any reasonable measure, has worked to our substantial mutual benefit.

In July, 2002, I testified, by invitation from Senator John Breaux, before the Surface Transportation subcommittee of the U.S. Senate's Committee on Commerce, Science, and Transportation to review Staggers on the adequacy of competition as replacement for regulation. My testimony focused on two key factors: (1. competition among railroads had diminished since the enactment of Staggers, but not to the extent that new regulations were required to protect the shipping public, and (2. I was deeply concerned

that the nation's economic growth would result in demand for transportation service that would exceed capacity of the transportation system, particularly the freight railroads. Nine years later, I stand by those comments, with emphasis on their applicability to the contemporary freight environment.

A succession of proposals has been advanced before the Congress to inject new regulations into the system by groups who appear to be trying to gain advantage for their member companies in the guise of pro-competitive legislation. While some provisions appear reasonable, they are always accompanied by other provisions that my experience leads me to consider toxic to both railroads and their customers. The most egregious of these toxic proposals is the elimination of the requirement that courts defer jurisdiction on freight transportation matters to the Surface Transportation Board. The experience of the nation's shippers in contending with just this circumstance during the crisis surrounding the filed rates doctrine demonstrates what a counterproductive practice this would be. Existing regulations are sufficient to serve the purposes of both railroads and their customers. However, I emphasize that while the regulations exist, their effectiveness relies upon the attitude of the regulatory agency toward the practical and economic behavior of the railroads. No other industry in the nation possesses both the franchise exclusivity and the pricing freedom that railroads enjoy, and for that reason, equitable application by the Surface Transportation Board of regulations that are already in place is vitally important.

I consider the second point of my Senate testimony the more compelling. Within two years of my statement, the nation experienced a nationwide capacity-related meltdown in the railroad system that became the most serious disruption of the transportation industry since the pre-Staggers collapse of the northeastern railroads. Velocity on all trunk line railroads slowed to a crawl as both railroad facilities and operations proved inadequate once a critical system volume was reached, and railroads proved to be unprepared and incapable of resolving the situation in a timely manner. Shippers throughout the Pacific Northwest faced extreme difficulty obtaining cars to load. As shippers struggled with late shipments caused by car shortage, their customers endured transit times that were routinely triple those they normally experienced. To their credit, as railroads struggled to solve the immediate problem, they also redirected their focus toward increasing capacity. They have remained committed to that course as their service improved, then during the national economic recession, and now as we struggle to recover. I believe, based upon my observations, that the railroads have acted wisely in spending billions of dollars toward increasing their respective system capacity. Railroads now have substantially greater system capacity than they possessed in 2004. I also believe that the railroads are overly optimistic in the adequacy of their expanded systems and operations controls to meet the volume requirements that a fully recovered national economy will place upon them. I base this concern on recent "hitches" that have occurred when their systems became stressed. Railroads clearly need to continue their aggressive capacity expansion.

In conclusion, an enterprise, such as Rosboro, can make the most competitive product possible, meet its customers' needs, and do all things necessary to become successful in its business, but if it is constrained by a shortfall in transportation capacity in moving its goods from its manufacturing facilities to its markets, that enterprise and its customers will suffer. Putting this principle in a larger scope, the strength of the nation's

economy and the jobs encompassed by the national economy varies directly with transportation capacity. The nation's railroads responded to the transportation crisis of 2004-2005 by increasing their revenues and then plowing a substantial majority of their operating profits back into capacity-related expansion. This has been a responsible action, taken by railroads under existing regulatory guidelines, that has benefited their customers during the economic recession and will further benefit their customers as economic activity increases during the ongoing recovery. The existing regulatory system, complete with exemptions, is generally sufficient to protect the interests of the nation's shipping public and encourage railroads to provide adequate service to meet their customers' needs. Customers of the railroads do not need new regulations such as those provided in the various "pro-competitive" regulatory schemes put forth on behalf of lobby groups by the Congress in the past two decades. Nowhere is the economic principle known as fallacy of composition better exemplified than in the ongoing efforts of a few organizations to obtain, through new regulations, an economic advantage that would be limited to their members at the expense of the general shipping public and the productivity of the nation's transportation system. The nation's shipping public and the national economy need the railroads to continue earning an adequate return to attract capital that will be applied toward further capacity expansion, thus supporting economic growth for all industries, railroads and their customers alike.

Thank you for the opportunity to share my views.

Sincerely,



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